Fiscal Note 2011 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	SB0499	**Title:**	Reduce coal severance tax rates for new production for green facilities
Primary Sponsor:	Essmann, Jeff	**Status:**	As Amended in Senate Committee

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact:

This bill provides for a 50% reduction in the coal severance tax rate for a new coal mine for which a portion of mine production is used in coal gasification facilities or integrated gasification combined cycle facilities that sequester carbon dioxide. This bill provides for a 50% reduction in the coal severance tax rate for increased production from an existing mine if the increased production is used in coal gasification facilities or integrated gasification combined cycle facilities that sequester carbon dioxide. There are no coal gasification facilities or integrated gasification combined cycle facilities in Montana at the current time. This bill has no fiscal impact to the Department of Revenue.

FISCAL ANALYSIS

Assumptions:

1. Section 1 of this bill amends 15-35-103, MCA (coal severance tax rates). This section of the bill provides for a 50% reduction in the coal severance tax rate for a new coal mine for which a portion of mine production is used in coal gasification facilities or integrated gasification combined cycle facilities that sequester carbon dioxide. This section of the bill provides for a 50% reduction in the coal severance tax rate for increased production from an existing mine if the increased production is used in coal gasification facilities or integrated gasification combined cycle facilities that sequester carbon dioxide.

2. In order to qualify for the exemption (reduced rate), the taxpayer must apply for the exemption. For a new mine, the taxpayer must have made an application to the Department of Environmental Quality for a new mine under Title 82, Chapter 4, Part 1, MCA prior to June 30, 2017. For an existing mine, the taxpayer must have applied for the exemption (reduced rate) prior to June 30, 2027. New production for an existing mine is defined as the production in excess of the average of the production for the previous 3 years.
3. Section 2 of this bill amends 15-35-108, MCA (disposal of coal severance taxes) to prescribe how the coal severance taxes collected under the reduced rates described in section 1 of the bill are to be distributed. 50% of these taxes are to be deposited in the coal severance tax permanent trust fund. The remaining 50% of these taxes are to be deposited in the school flexibility account in the state special revenue fund.
4. This bill will require modifications to the Department of Revenue's computer systems. The department estimates that these modifications will require 300 hours for system development and 120 hours of testing. These modifications will be accomplished under the department's existing maintenance contract. The department will need to develop new reporting forms and/or modify existing reporting forms for the coal severance tax. These tasks will be accomplished using existing resources. This bill has no fiscal impact for the Department of Revenue.

Technical Notes:

1. New 15-35-103(4)(ii) (page 1, line 30 through page 1, line 1): "the increased production of coal produced by an existing mine if the production of coal is used in facilities described in 15-6-157(1)(h) or (1)(k)". It may clarify the intent to say "…if the increased production of coal is used in facilities . . ." The language could be clarified to specify that the increased production that is used in "green" facilities qualifies for the reduced rate and the rest of the increased production does not.

Sponsor's Initials	Date	Budget Director's Initials	Date